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SUBJECT: IRAQI NSC DISCUSSES INSURGENT FINANCING, AGREEMENT
IMPLEMENTATION, AND ELECTION SECURITY

REF: BAGHDAD

Classified By: Ambassador Ryan C. Crocker for reasons 1.4 (b) and (d)

¶1. (S) Summary. At the December 21, 2009 meeting of the Iraqi National Security Council (NSC), Prime Minister (PM) Nouri al-Maliki received a detailed report from the Minister of Defense (MoD) on the internal sources of financing for Al Qaeda in Iraq (AQI) and other insurgent organizations. According to the report, domestic sources account for eighty percent of total insurgent revenues. The Prime Minister also received a proposal from National Security Advisor (NSA) Mowafaq Rubaie for the structure of the implementing committees under the Strategic Framework Agreement (five committees) and the Security Agreement (twelve sub-committees), which Maliki said he would pass to the Council of Ministers and other political entities for final approval. The NSC also discussed security for the upcoming provincial elections, noting the special challenges the Iraqi Security Forces (ISF) would face in disputed areas, and the difficulty of vetting and verifying the credentials of 14,000 candidates. The Iraqi Independent High Electoral Commission (IHEC) made an appeal for U.S. assistance with election security, voter education, and support for international election observers. End Summary.

Rule of Law and Detention Affairs Update

¶2. (C) The meeting opened with a briefing for the Prime Minister on the status of Iraqi detainees who remain in custody despite having no valid detention order, or in some cases, no records at all. The update noted that the Ministry of the Interior (MoI) had begun to comply with judicial orders requiring the transfer of 390 detainees from the heavily overcrowded facility at Baqdash.

Follow-up on Baiji Refinery Proceeds Funding Al Qaeda

¶3. (S) MoD Abdul Qadir stated that Al Qaeda in Iraq's (AQI) ability to derive income from the Baiji refinery is largely the result of the decision to remove the Iraqi Army from the refinery's grounds at the request of the Ministry of Oil (MoO). He said that the MoO, fearing that strict security measures might lead to reprisal sabotage at the refinery, asked for the battalion protecting the facility to move outside of its perimeter. The resulting security void had left the refinery vulnerable to extortion, and it now furnishes the majority of AQI's revenue.

¶4. (S) The MoD stated that in order to end the flow of funds to the insurgents, the GOI would have to place an effective security force, supported by intelligence agencies, inside the refinery where AQI is dominant. He suggested creating a force of 1200 vetted officers to reestablish control over the refinery, and that employees sympathetic to AQI would have to be culled out. Minister of the Interior Jawad al-Bulani added that the MoO would also have to clean up the weak administration at the refinery that facilitated diversion of

funds. The PM directed that the GOI would have to address security and corruption at the refinery simultaneously.

Funding of Terrorist Organizations in Iraq

¶5. (S) The Minister of Defense delivered a report to the Prime Minister on terrorist financing in Iraq. The report noted the following challenges with regard to terrorist financing:

--AQI and other insurgent groups receive eighty percent of their funding from within Iraq.

--Iraqi intelligence agencies have been largely ineffective at penetrating these organizations.

--Iraqi intelligence agencies are not cooperating efficiently
Q--Iraqi intelligence agencies are not cooperating efficiently against terrorist financing, and a dedicated agency may be required to deal with this problem.

On a more positive note, Qadir said that successful GOI interdiction of terrorist financing flows could threaten the existence of AQI and similar groups.

¶6. (S) The report identified a variety of terrorist financing sources, from which funds are diverted or extorted, which include:

--The Baiji oil refinery, the single greatest source of terrorist financing in Iraq.

--The Basra Refinery, second only to Baiji as a source of funds for insurgents.

--The Mosul cement factory.

--Cell phone companies.

--Sulfur plants.

--Fuel stations.

--AQI owned Fuel tankers.

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--Construction contractors.

--Flour mills and bakeries.

--Power plants.

--Large retail businesses.

--Kidnapping.

--Small retail establishments.

--Illicit drug smuggling.

--Auto dealerships.

--Hospitals.

¶7. (S) The MoD made the following recommendations:

--The Prime Minister should order the formation of a Joint Committee to Counter Terrorist Financing that will include representatives from MoD, MoI, military intelligence, the office of the Minister of State for National Security Affairs (MSNSA), the Counter Terrorism Bureau (CTB), and the Coalition. Members of the Committee should have the rank of Major General or above, and be properly vetted. The committee should report directly to the PM, and be operational no later than January, 2009, headquartered in the PM NOC.

--The PM should assign the CTB the mission of arresting suspects identified by the committee.

--The PM should instruct ministries that are sources of revenue for insurgents to cooperate with the committee.

¶8. (S) While the Minister of the Interior hailed the findings of the report, Minister of Justice (MoJ) Safa al-Safi stated that the report failed to discuss the problem created by management level personnel who are willingly supporting terrorist groups. PM Maliki said that the report identified significant threats in the form of corrupt officials and commercial establishments that aid insurgents. He then called for all Iraqi security agencies to work together to combat terrorist financing.

Implementation of the Security Agreement

¶9. (SBU) NSA Rubaie presented the NSC with a proposed line and block chart for the committees that will implement the Strategic Framework Agreement (SFA) and the Security

Agreement (SA). The chart showed five joint committees under the Higher Coordinating Committee for the SFA:

- Diplomatic and Political Coordination.
- Energy and Economic Coordination.
- Information and Technology Services Coordination.
- Cultural, Scientific, and Educational Coordination.
- Law and Judicial Coordination.

Under the Joint Military Operations Coordinating Committee (JMOCC) of the SA, the proposal called for four joint sub-committees:

- Temporary Committee for International Zone (IZ) Transition.
- Military Operations, Training, and Logistical Support.
- Movement of Vehicles, Ships, and Aircraft.
- Transfer of Provincial Security Responsibility.

Under the Joint Committee (JC) of the SA, the proposal indicated eight joint sub-committees:

- Detainee Affairs.
- Facilities and Areas Agreed Upon.
- Claims.
- Surveillance and Airspace Control.
- Points of Entry.
- Imports and Exports.
- Frequency Management.
- Jurisdiction.

The Prime Minister stated that the framework would be reviewed by the Council of Ministers and other political bodies for final approval.

¶10. (C) The NSC members then discussed the roles and composition of several committees. MoD Qadir focused on the Frequency Committee, noting there is a well-established Iraqi committee for deciding frequency issues led by the Minister of Communications (MoC) that includes MoD and others. He said he wants to make sure the military is not left out of this committee. The MoJ noted that the executive branch, not the judicial branch, should head the detainee affairs committee. After an inconclusive discussion, the Prime Minister said the issue needs to be studied. The Minister of Defense asked who would coordinate the JMOCC, and stated that QDefense asked who would coordinate the JMOCC, and stated that he would prefer if it was a joint MOD/MoI lead, but that he would review this issue. The Minister of Justice said that the Ministry of Human Rights (MoHR) should be included on the committee to adjudicate claims as this was an issue the Minister follows closely. PM Maliki solicited General Odierno's view of the proposal, and the Commanding General responded it is generally along the lines of what he had previously discussed with the PM.

2008 Budget: MOD and MOI Investment Projects

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¶11. (C) The Ministers of Defense, Interior, and Planning discussed the difficulty that MOD and MOI are having liquidating their 2008 development budgets, and what to do with the balances that remained. MoD Qadir, while admitting that his Ministry has so far been able to liquidate only 20% of its 2008 budget, stated that he would need additional funds to complete MoD's development plans. Qadir said that while most of the budget remains unspent, contracts for the majority of it of it had been executed. The apparent discrepancy is a consequence of contracts signed for work that had yet to start. MoI Bulani also stated that his Ministry is having difficulty liquidating its infrastructure funds, and suggested that the balance should roll over into the 2009 account. The Prime Minister, after receiving a confirmation from the Minister of Planning that the funds are available, agreed that MoD and MoI should seek Ministry of Finance (MoF) assistance to carry-over the unspent 2008 balances into the 2009 budget.

Election Security Committee Update

¶12. (S) The Chairman of the Independent High Electoral Commission (IHEC) briefed the NSC on security plans for the upcoming provincial elections. He stated that the ISF would have to provide security for more than 6,000 polling centers and numerous ballot storage facilities, while protecting both

the voters and the candidates. The Chairman said that the PM had directed the ISF not to interfere with the elections, as their role is limited to providing security alone and cautioned against the potential for provincial governors to try to overrule the decisions of election commissioners.

¶13. (S) With regard to election security in disputed areas, such as Nineva, where there will be 226 polling centers, or Diyala, the Chairman described three possible options to ensure election security:

--That the National Police assume responsibility for security.
--That Coalition forces assume responsibility for security.
--That Coalition forces, together with the local police, assume responsibility for security. General Odierno stated the he had been in discussion with the IHEC Chairman and his head of security, MG Ayden, as well as discussion with the MOD and KRG (Peshmerga) about elections security in the disputed areas. Based on these discussions, he will have recommendations for the PM on election security in the disputed areas in about two weeks.

¶14. (S) The IHEC Chairman advised that special provisions would be required to facilitate voting by members of the military, especially Presidential Units. This challenge is complicated because some of the units had not provided the necessary information to IHEC, and in addition, January 31, 2009 is a holiday, precluding military voting on that day. He said that IHEC is trying to guarantee that members of the military, including reservists, will have the opportunity to vote, though those on active duty will probably have to vote in a manner different from polling procedures for civilians.

¶15. (S) The Prime Minister enumerated the following security measures that he said might be necessary for a safe election:

--Imposing an evening curfew.
--Halting vehicles at the outskirts of cities and towns.
--Closing airports.
--Deploying female security agents, who can conduct searches and reduce the threat of female suicide bombers.

¶16. (C) After stating that the GOI must be careful not to exclude eligible voters, the PM launched into a lengthy discussion of how to address potentially ineligible candidates who have criminal backgrounds or lack the requisite educational qualifications. While conceding that there might not be sufficient time before the elections to successfully vet all of the candidates and verify their diplomas, he reminded the NSC that this is a task that had to be done, that he wants the Ministry of Education pressured to complete its portion of the work quickly, and that the checks and appeals could be completed after the election if necessary. He also warned that the upcoming election remains vulnerable to electoral fraud. When the MoJ raised the issue of voting rights for prisoners and detainees, the PM said that they could cast ballots. Maliki then reminded the IHEC Chairman that a mechanism should be established to address reports of electoral law violations.

¶17. (S) The IHEC Chairman responded that he sought the support of MNF-I, specifically to participate in planning and preparations for the provincial elections. He said that international observers would also play an important role, and will need accommodations within the international zone (IZ). He stated that the Coalition would have to assist the ISF in disputed areas, and help with security for IHEC. He also stated that MNF-I should support UNAMI efforts to

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distribute voter education material, noting that the Coalition had done so in previous elections, and he expressed the hope that the Embassy and PRTs could do likewise. For security reasons, IHEC will set up its media information center in the IZ, and the Chairman asked for Embassy/MNF-I assistance in finding a location.

Reconstruction Report: Diyala

¶18. (SBU) The meeting concluded with a short briefing from Minister of State for Civil Society Affairs (MSCSA) Thamir Jafar al-Zubaidi on the progress of reconstruction efforts for Diyala Province. The current reconstruction plan includes 124 projects, of which 26 are under contract. The Minister provided an update on the status of the programs and the timetable for completing the remaining work.

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